

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development International Trade and Market Development Component Budget Summary

Component: International Trade and Market Development

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Component Mission

The mission of the Division of International Trade and Market Development (ITMD) is to increase international trade and investment in Alaska.

Component Services Provided

Assist Alaska Companies Sell Their Goods and Services Overseas. Exports bring new money into the state's economy and create stable, high paying jobs for Alaskans. Division works with private sector in the following ways:

- Connecting Buyers and Sellers -- experienced trade specialists in Alaska and state trade representatives abroad
- locate overseas buyers and help overseas buyers connect with Alaskan suppliers.
- Overseas Representation -- the division maintains active trade representation in Tokyo, Japan; Seoul, Korea; Taipei, Taiwan; and Yuzhno-Sakhalinsk, Russia.
- Trade Missions, Outbound and Inbound -- ITMD leads business missions to and from targeted markets and arranges seminars, presentations and one-on-one meetings with potential customers.
- Trade Shows -- the division promotes Alaska products and services at major trade and catalog shows, and assists Alaska companies to follow up on leads generated by trade show participation.

Provide Information. The division obtains and disseminates timely, useful economic information and market intelligence on overseas markets important to Alaska businesses via:

- Web Site -- information on Alaska's top export markets is continually updated and posted on the division's web site.
- Numerous division publications are accessible by visitors to the site. In addition, the site provides linkages to public and private sector trade organizations.
- Newsletters -- the division produces and distributes a regular series of reports that provide information and analysis on trade opportunities, market conditions, currency and commodity price movements and other developments with potential impact on Alaska exports.
- Trade Seminars -- ITMD presents seminars designed to help Alaska firms gain the information and technical expertise necessary to conduct international business and more effectively compete in the global marketplace.
- Customized Reports -- in response to requests from the private sector, the division prepares customized reports on specific market opportunities.

Advance Government-to-Government Relations. The division works with U.S. and foreign governments to open doors and eliminate trade barriers by:

- Opening Doors -- in Alaska's major export markets, an introduction by government can play an important role in fostering successful business relationships.
- Advocating for Alaskans -- ITMD acts as a liaison and advocate in foreign markets, finds information on policies and procedures, and works to resolve difficulties that can arise when doing business in an unfamiliar environment.
- Investment Promotion -- the division promotes investment in Alaska development projects through government-to-government contacts as well as contacts with private sector companies.
- Multiplying Opportunities -- in order to better serve the state's trade community, the division is co-located with the U.S. Department of Commerce, Alaska Export Assistance Center, bringing Alaskans the resources of both state and federal governments. ITMD also works closely with private trade organizations such as World Trade Center Alaska and the Export Council of Alaska, and industry organizations such as the Alaska Seafood Marketing Institute and the Resource Development Council.

Recruit Business and Investment to Alaska. Growth and diversification of the economy creates expanded job opportunities for Alaskans. The division promotes Alaska as a location for companies seeking to relocate or expand by:

- Spreading the Word -- the division produces and distributes brochures and pamphlets highlighting Alaska's unique advantages and attributes as a business location.
- Outreach -- through participation at trade shows and advertisements in industry journals, the division works to generate interest in Alaska by companies from targeted sectors.
- Providing Answers -- in response to information requests by companies, the division tailors customized reports designed to assist companies evaluate Alaska's strategic location.

Finding Partners -- ITMD helps Alaska entrepreneurs and firms identify potential investors for development projects.

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Promote Alaska as a Location for Film Projects. The filming of major motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that bring significant dollars into the Alaska economy. The division promotes Alaska in the following ways:

- Web Presence -- individuals or companies seeking information on carrying out film projects in Alaska receive information and direct links to Alaska film-related companies via the division's web site.
- Outreach -- the division participates in major film industry trade shows and places advertisements in leading trade journals to generate interest in Alaska as a location for film projects.
- Answering the Call -- in response to direct inquiries, the division provides information and assistance to companies seeking to film in Alaska.

Component Goals and Strategies

Increase the Number of Alaska Firms that Export Services and Products

Provide market intelligence and export information to export-ready Alaska companies.

Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.

With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Increase the Dollar Value of Exports from the State

Provide information and assistance to help Alaska companies initiate or expand export business activities.

Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.

Keep Alaskans informed about key markets through periodic newsletters and special reports.

Maximize the number of Trade Leads in International Trade and Development while minimizing the cost

Strive to increase number of leads and qualify leads for appropriateness and potential, while working to contain cost.

Distribute leads to appropriate Alaska and overseas businesses.

Identify and help Alaska companies to pursue new export opportunities.

Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.

Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, Taiwan and the Russian Far East.

Organize and conduct trade missions, inbound and outbound, to introduce buyers in key markets to Alaska sellers.

Promote Exports to Alaska's Key Markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East

Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.

Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.

In Alaska's No. 1 export market, Japan,

- Promote Alaska goods and services through high visibility presence: Alaska Products Fair at Matsuzakaya Department Store, Alaska Food Fair at Capitol Tokyu Hotel, trade shows, and Japanese-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports, and market information on fresh and live seafood in connection with air cargo promotion.
- Assist Alaska business and industry by organizing trade missions, inbound and outbound, and assist individual companies with appointments in Japan as requested.
- Increase Alaska's presence in Osaka and regional markets.

In Korea,

- Promote Alaska goods and services through trade show presence: US Food Showcase and other trade shows, and Korean-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market intelligence.
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with appointments in Korea as requested.

- Promote Alaska seafood and other foods in niche market of international-class hotels.

In Canada,

- Promote Alaska exports by encouraging backhaul trade, trade missions, and providing market information.
- Enhance existing areas of cooperation in trade, tourism, transportation, resource development, arctic issues, and other common concerns.
- Promote Alaska's mining sector by encouraging Canadian mining companies to utilize Alaska's mineral resources as well as Alaska's strategic position as a gateway to the Russian Far East.

In China,

- Establish trade representation for the State of Alaska.
- Assist Alaska business and industry by coordinating inbound missions, introducing buyers to sellers, and producing special reports.

In Taiwan,

- Promote Alaska goods and services through trade show presence: American Food Festival, other trade shows, catalog shows, and Chinese-language web presence.
- Provide market information to Alaska's public and private sector: energy market, technical services, agriculture and general market information
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments in Taiwan as requested.
- Promote Alaska agricultural produce in niche markets.

In Russia,

- Promote Alaska goods and services in oil and gas project developments on Sakhalin Island, focusing on oil field services, environmental services and related resource development service and supply sector.
- Assist Alaska industry by working with public and private sector in Sakhalin to improve business conditions there. Manage USAID-funded Alaska-Sakhalin projects creating an AIDEA-model development bank, performing a workforce assessment /development program for resource development projects, and providing technical assistance to develop an environmental regulatory regime.
- Assist Alaska businesses and organizations by organizing trade missions and working with Magadan, Chukotka and Kamchatka governments and businesses in oil and gas, mining, tourism and other promising sectors.
- Bolster Alaska's role as exclusive US gateway to the Russian Far East by working to maintain and expand Alaska's air routes to the Russian Far East.

Foster economic growth and diversification by promoting Alaska for relocation, expansion, and investment

Based on results of national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment, develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.

Provide tailored responses to companies seeking site selection information about Alaska.

Market Alaska to companies through representation at one or more major trade shows.

Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

Increase the number of film, video, television and locations shoots produced in Alaska

Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.

Advertise in trade journals to promote Alaska as a film destination.

Update promotional video to provide a visual references about Alaska's locations.

Maintain Internet website with current information regarding Alaska's film industry and film resources.

Update film manual to provide current, detailed information on Alaska's film industry.

Provide meaningful and high-quality assistance to private and public sectors to benefit Alaska's economy

Ensure that information on Alaska's export economy is accessible through a variety of media including the Internet, special reports, newsletters and trade seminars.

On a regular basis, survey users of the division's services and programs to measure satisfaction and results.

Maintain contact with companies and associations to continually assess needs of Alaska's industry.

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Key Component Issues for FY2002 – 2003

It is important for Alaska to maintain an active, effective trade presence in the state's traditional export markets during the current worldwide business slowdown. Exports to the region held fairly steady in 2000, but economies of the

countries in the region have not performed uniformly and there remains uncertainty as to how long the slowdown will continue. This is a critical time for Alaska exporters. Targeted efforts made now will enable companies to maintain, gain or, in some cases, regain market share. Information and assistance provided by the division's in-state trade specialists and overseas representatives will play an important role in helping Alaska firms to compete more effectively in the global marketplace.

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports were \$2.5 billion in 2000. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources that will enable an effective, pro-active recruitment program will need to be deployed.

Major Component Accomplishments in 2001

Trade Mission to Japan – Organized Governor's Mission to Japan with approximately two dozen high-level private sector participants. Raised profile while initiating and renewing business ties with Alaska's major trading partner.

Seafood successes in Korea. Division continued introduction of fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in nearly \$1,000,000 in direct sales by Alaska seafood companies to five major hotels in Korea. Business meeting with Korean Air resulted in airline's decision to promote travel to Alaska by "Destination Alaska" in-flight video and cover article for carrier's in-flight magazine.

Korea – US Pacific States Agreement. Alaska and four other U.S. Pacific states signed mutual cooperation agreement with Korea-US Economic Council (KUSEC) to further trade and investment relations between Korea and the five states. A major activity arising from the agreement is an annual conference that will alternate between Korea and one of the states. The first conference on US soil will be held in Anchorage in May 2003.

Canada -- A flurry of Alaska-Canada activities focused on proposed Alaska Highway Natural Gas Pipeline project and other cross-border relations. U.S. and Canadian consuls visited Alaska; Gov. Knowles met with his western Canadian counterparts; and ITMD figured in many of these activities as a facilitator and source of information for the visits.

Taiwan -- Matched environmental needs with AK expertise . Division promoted Alaska oil spill preparedness and response companies/agencies to Taiwan Coast Guard, Taiwan EPA, Chinese Petroleum Corp., Taiwan Legislative Yuan. Result: an Alaska environmental services company is currently in negotiations with Taiwan EPA for an oil spill response training contract.

China – Organized Governor's Mission to China with stops in Hong Kong, Shanghai and Beijing. Results: Alaska company entered into a joint venture with the Chinese pipeline and oil company, SINOPEC. Seafood sales nearly doubled in latter half of 2000. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers, with stops in Hong Kong, Shanghai and Beijing. Mission afforded opportunity to thank existing customers and introduce Alaska's resource and service exports to potential buyers.

Russia – Restoring RFE flights. Following the demise of Reeve Aleutian Airways, ITMD sponsored Alaska-RFE Aviation Roundtable, bringing stakeholders together to rebuild RFE routes, which in turn led Evergreen International Airlines to announce intent to start Sakhalin service in 2002; Mavial expanded its Anchorage-Magadan route to include Kamchatka; and Alaska-Chukotka flights picked up.

Exports Steady in 2000. Alaska exported \$2.5 billion worth of goods in 2000, about the same as 1999, and an increase of 31% over 1998. Alaska's exports during the first half of 2001 decreased \$179 million, or nearly 15%, largely due to change in the destination of Alaska North Slope crude oil. Producers now send that commodity to US refineries rather

than overseas. Excluding crude oil, the state's worldwide exports increased 11.8%, and Alaska's trade through the first half 2001 totaled \$1.03 billion compared with \$920.4 billion the first half of 2000.

Statutory and Regulatory Authority

AS 37.17.440 International Trade and Business Endowment
AS 44.33 Economic Development
AS 44.33.800 International Trade
AS 44.99.100 Economic Development Policy

International Trade and Market Development

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	769.6	745.4
72000 Travel	0.0	70.7	70.7
73000 Contractual	0.0	947.8	978.1
74000 Supplies	0.0	19.5	19.5
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	295.0	295.4
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	2,102.6	2,109.1
Funding Sources:			
1004 General Fund Receipts	0.0	1,461.3	1,580.0
1005 General Fund/Program Receipts	0.0	12.7	12.7
1007 Inter-Agency Receipts	0.0	112.2	0.0
1108 Statutory Designated Program Receipts	0.0	20.0	20.0
1115 International Trade and Business Endowment Income	0.0	496.4	496.4
Funding Totals	0.0	2,102.6	2,109.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	0.0	112.2	0.0	0.0	0.0
General Fund Program Receipts	51060	0.0	12.7	12.7	12.7	12.7
Statutory Designated Program Receipts	51063	0.0	20.0	20.0	20.0	20.0
Intl Trade & Business Endowment Income	51422	0.0	496.4	496.4	496.4	496.4
Restricted Total		0.0	641.3	529.1	529.1	529.1
Total Estimated Revenues		0.0	641.3	529.1	529.1	529.1

International Trade and Market Development

Proposed Changes in Levels of Service for FY2003

An increment is requested to provide contract trade representation in the People's Republic of China (PRC) to promote China's import of Alaska goods and services.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,474.0	0.0	628.6	2,102.6
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	28.7	0.0	0.0	28.7
Proposed budget decreases:				
-Reduce unneeded I/A Receipts	0.0	0.0	-112.2	-112.2
Proposed budget increases:				
-People's Republic of China Trade Representation	90.0	0.0	0.0	90.0
FY2003 Governor	1,592.7	0.0	516.4	2,109.1

International Trade and Market Development

Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	11	10	Annual Salaries	548,079
Part-time	1	1	COLA	17,592
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	191,359
			<i>Less 1.54% Vacancy Factor</i>	(11,630)
			Lump Sum Premium Pay	0
Totals	12	11	Total Personal Services	745,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk I	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Division Director	1	0	0	0	1
Economist	1	0	0	0	1
Research Analyst II	1	0	0	0	1
Secretary	1	0	0	0	1
Special Projects Coordinator	2	0	0	0	2
Trade Specialist I	1	0	0	0	1
Trade Specialist II	2	0	0	0	2
Totals	11	0	0	0	11